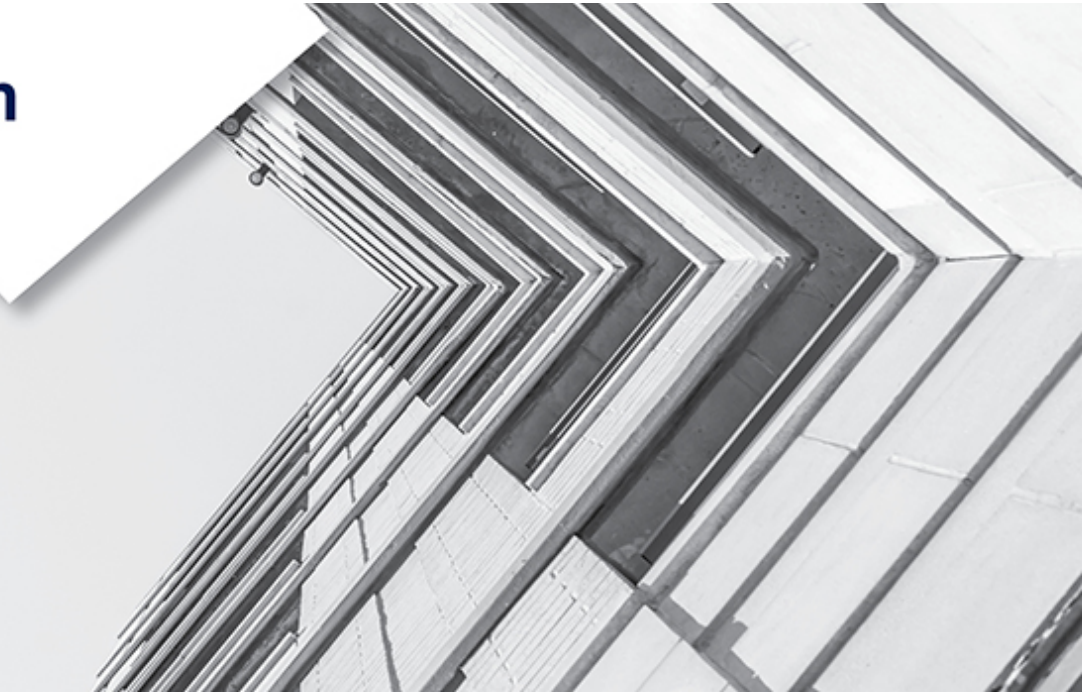
momentum
investments



IN THE moment

Monthly market commentary | November 2020

Markets for risk assets rebounded sharply in November on the back of positive sentiment arising firstly from Joe Biden winning the majority of electoral votes for the US presidency, and thereafter a string of announcements by Pfizer, Moderna and AstraZeneca that an effective vaccine had been developed. These positive developments dwarfed concerns regarding second and third waves of Covid-19 infections.

Global equity markets experienced a record month with the MSCI World Index delivering its highest monthly return since January 1975 (12.8% in USD). Notably, November also saw value stocks and cyclical sectors significantly outperforming growth stocks and defensive sectors as investors anticipate a more sustained global economic recovery in light of the vaccine news.

At a country-level, after lagging the broader market for several months, European stocks were among the best performers in November with the Eurostoxx 50 up 18% in USD. France delivered one of the highest returns while Germany and the UK underperformed. The US underperformed the broader developed market index (S&P 500: 10.8%) while Japan outperformed (Nikkei 15% in USD). Emerging markets were a mixed bag with Brazil and Russia delivering strong double digit returns while China lagged. The MSCI EM Index ended the month up 9.2% in USD. Global bonds were surprising resilient during the month despite the risk-on sentiment. The US 10-year bond yield was flat at 0.85% while German and French yields rose slightly to become less negative. The rand strengthened 5.9% against the USD to 15.47 at the end of the month which was a meaningful detractor from the rand returns of offshore assets. The local unit is still, however, 10% weaker relative to the USD on a year-to-date basis.[1]

Locally, the dominant events were the announcement of the downgrading of South Africa's debt further into junk territory by Moody's and Fitch and the decision by the SARB to keep interest rates on hold. The local bond market was not phased by this news with the All Bond Index (ALBI) delivering a strong return of 3.3%, indicating that South African bonds were likely already priced for further downgrades in the aggregate. The yield curve flattened in the month as yields at the shorter end rose by 22 bps while yields on the longer end fell by 61 bps. The positive global risk sentiment also saw foreigners re-enter the local bond market for the first time since March where they were net buyers of R12.1bn, almost offsetting October's net outflow of R13.4bn.[2]

The All Share Index (ALSI) was up an impressive 10.5% in the month, making it one of the better performing emerging markets in dollar terms. This was also the index's first monthly increase since July. Strong positive returns were observed across all sectors aside for technology. The best performing super-sector was Financials (18%), however the sector is still down 18.5% over the last year. Resources were up 11.4% although performance was mixed. Gold miners fell 17.5% while platinum miners were up 11.8%. Sasol gained an impressive 35.6% on the back of the 27% rise in oil prices. Industrials advanced 7.6% with

Naspers and Prosus delivering only low single digit returns. Listed property was up a spectacular 17.5%, although the market is rebounding from a low base. Vukile (45%), Hyprop (40%) and Nepi Rockcastle (37%) were among the best performers.[2]

The Consult Select multi-asset portfolios participated meaningfully in the global risk-on rally and delivered strong absolute returns. The portfolios also recovered significant underperformance relative to peer funds due mostly to their relatively higher allocation to SA listed property which was one of the best performing asset classes in the month. Consult Select 3 (4.3%) delivered the lowest return while Consult Select 7-Plus (7.9%) was the best performer, reflecting the progressively higher allocation to growth assets. Consult Select Income delivered a strong monthly return of 0.8%.[3]

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Source:
[1] Anchor Capital November Market commentary
[2] Asset class returns – November 2020, RMB Markets Research
[3] Momentum Wealth

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